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SUBJECT: Guangdong Province Planning Seven High-Speed Rail Lines
(C-TN7-01732)

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1. (SBU) SUMMARY: Guangdong Province plans to build seven new high-speed rail lines; three are already under construction. All of the projects are government funded, although private companies can bid on construction contracts. One official speculated that manufacturing and real estate industries would gain the most from high-speed rail development, with manufacturing benefiting from accelerated delivery of raw materials and shipment of finished products made in Guangdong. Guangdong officials believe the proposed projects will make the province's infrastructure status, considered somewhat backward, commensurate with its economic development. END SUMMARY.

2. (SBU) The first of seven planned high-speed rail lines in Guangdong Province will come on line in 2010, according to Lin Heming, Vice Director of the Transportation Division of the Guangdong Development and Reform Commission. Each of the seven lines will carry passengers and freight and have maximum speeds that exceed 200 kilometers per hour (the official Chinese threshold for high-speed rails). Lin said that the rails will be further upgraded after completion for even higher speeds. Although the line connecting Guangzhou with Hong Kong is sometimes referred to as a high-speed rail, Lin explained that it does not meet the technical definition.

3. (SBU) The three lines already under construction are the Guangzhou-Shenzhen-Hong Kong Rail, Wuhan-Guangzhou Rail, and Guangzhou-Zhuhai Rail. Each is scheduled for completion in 2010. The Guangzhou-Shenzhen-Hong Kong Rail and Wuhan-Guangzhou Rail will eventually provide service through to Beijing. Two cross-province rails -- the Xiamen-Shenzhen Rail, connecting Fujian and Guangdong Provinces, and the Guangzhou-Guiyang Rail, connecting Guangdong and Guizhou Provinces -- have been approved by the National Development and Reform Commission (NDRC), and construction is scheduled to begin soon. In addition, the Nanning-Guangzhou Rail, connecting Guangxi and Guangdong Province, and the Guangzhou-Zhanjiang Rail to southwest Guangdong Province are in the planning stages.

4. (SBU) Lin emphasized that all rail projects must be approved by the Chinese central government and are fully funded by the government. For each new rail project, the Ministry of Railways and provincial governments join to finance a state enterprise to construct and operate the line. Foreign and other private companies may be invited to bid on construction projects but do not have an opportunity to invest in the enterprise. Lin told us that private enterprises are not interested in infrastructure development because the returns are too low.

5. (SBU) Guangdong has historically lagged behind many other

provinces in railway development, Lin said. However, the provincial government believes that the projects on the drawing board will raise local railway infrastructure to a level more commensurate with its advanced economic development. Lin speculated that manufacturing and real estate industries would gain the most from high-speed rail development. Manufacturing, he said, would benefit from accelerated delivery of raw materials and shipment of finished products made in Guangdong. He also attributed the booming real estate market in Zhuhai to the Guangzhou-Zhuhai Rail, which is not even operational yet. In addition, Lin noted that the Xiamen-Shenzhen Rail would enhance economic cooperation between Guangdong and the Yangtze River Delta and explained that the electric high-speed rail system would be more environmentally sound than existing rail lines.

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